

Now that I've had a day or so to digest the proposed Sirius-XM merger, I have a few more coherent thoughts about it. As a Sirius investor, I think this is ultimately the right deal. I know that CEO Mel Karmazin is offering the usual talk of synergies and cost savings. This is standard fare for such transactions. I have no doubt a combined company will realize some of that, but I'm not silly enough to assume it'll be grandiose or immediate. Any significant benefit from this is years away, at least. I'm okay with that because I've invested for the long term. Most of the time I only know the general Sirius share price. When my shareholder ballot arrives, I'll check "yes" with realistic expectations.

As a customer, I'm thrilled by this deal. As I mentioned, the ability to receive Howard Stern and Major League Baseball on one subscription is irresistible. I find Sirius' radio programming better (particularly the original MTV VJs on The Big '80s), and I'm a devoted Howard Stern fan. Those two items are year-round. That's why I subscribe to Sirius. But the absence of Major League Baseball broadcasts is a huge frustration. This merger would solve that, even if the combined company offers a "cafeteria-style" selection of programming, as I've read. I can live with that. I don't really care to have Oprah, Bob Dylan, Opie and Anthony, Nascar, or Martha Stewart. Give me Howard Stern and the Phillies for a reasonable price, and I'll be a subscriber. To get me, it's that simple.

However, the information announced so far is insufficient. The FCC and Department of Justice will have questions. First, Sirius and XM must convince the government that their market is not satellite radio, but audio entertainment. (I'd cite a reference for the term audio entertainment, but I don't remember where I read it. I'll give credit if I stumble upon it again.)

My audio choices at work are a perfect example. During a typical day, I'll listen to Stern in the morning through my Sirius subscription. When that's done, I'll move on to my iPod and whatever music appeals to me at the time. Or maybe an audiobook. Then I might switch over to an internet radio station. On my commute home, I usually listen to terrestrial radio. When I get home, I have cable television, Netflix, and Xbox 360.

Every one of these things competes for my time and money. I can afford various subscriptions for those that require one, but if the programming on any one of them becomes stale or the price exceeds what I think it's worth, I'll cancel it. That's the fate that HBO faces from my household as soon as The Sopranos is done. It's barely \$10 per month, but it isn't worth it to me. I'm capable of making the decision better than the federal government, regardless of the implied public trust built into the artificial market created by government satellite licensing.

The short-term implications of this deal are also apparent, both as an investor and a subscriber. Sirius and XM work on separate signals, so each company's hardware is incompatible with the other. I've been thinking about upgrading my Sirius receiver since the unit I have is several years out-of-date. But I don't want to spend \$300+ on a new receiver with all the features I want if I'll have to dump it in a year when (if) the merger wraps up. I've seen no concrete answers on this, only that the companies are working this out. That's wonderful, but current subscribers are left out in the interim if they want to upgrade.

As for potential subscribers, what incentive will they have to sign up now? The rational decision is obviously to wait this out until the executives offer answers. That will hurt both companies financially until they decide. That makes me nervous realistic about any short-term bump in the share price from this deal. The downward pressure on revenue and subscriber growth, which is what this industry needs least right now, is evident. The only responsible choice is for customers and potential customers to get answers soon. Essentially, I want the Heroes approach to answering questions, not the Lost approach.

I understand the hurdles this merger will face. In the end I think the government should get out of the way let it proceed. It will benefit customers when viewed with the correct understanding of the combined company's market competition. I applaud the deal with guarded enthusiasm.

Sincerely,  
Paco Alameda